

Message Text

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PAGE 01 GENEVA 09195 161920Z
ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AF-10 ARA-10
EUR-12 NEA-11 OIC-02 JUSE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
-----105917 161926Z /72

P 161849Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0000
INFO AMEMBASSY KUALA LUMPUR

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USMTN

ACTION STR

STR PASS CODEL

EO: 11652:N/A
TAGS: MTN, ETRD, MY
SUBJECT: U.S./MALAYSIAN MTN BILATERAL

REF: GENEVA 8896

1. U.S. MTN DEL (GRAEF, SWAIN, CASSIDY) MET AGAIN WITH MALAYSIAN DELEGATION (YEE CHE FONG PLUS SEVEN OFFICIALS FROM KUALA LUMPUR, INCLUDING KAHAUDIN, PRINCIPAL UNDER-SECRETARY OF THE MINISTRY OF FINANCE, AND HAJI ARIFFIN, DIRECTOR OF CUSTOMS AND EXCISE DEPARTMENT) ON JUNE 15. YEE CHE FONG BEGAN THE DISCUSSION BY EXPRESSING HIS CONCERN OVER THE MANY SMALL MEETINGS BEING CONDUCTED ON NON-TARIFF MEASURES, PARTICULARLY SAFEGUARDS OF IMPORTANCE TO LIMITED OFFICIAL USE

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PAGE 02 GENEVA 09195 161920Z

MALAYSIA. THE U.S. RESPONDED BY PROPOSING MEETINGS FOR THE 19TH AND 20TH ON CUSTOMS VALUATIONS, SAFEGUARDS, AND OTHER MTN AREAS OF INTEREST TO THE MALAYSIAN DELEGATION.

2. MALAYSIAN DELEGATION ALSO PROVIDED A LIST OF IMPROVEMENTS IN THEIR INFORMAL OFFER AS FOLLOWS:

BTN NO.	DESCRIPTION	CURRENT RATE	CUT
20.07.230	CONCENTRATED GRAPEFRUIT JUICE	25 PERCENT	22 PERCENT
20.07.330	OTHER CITRUS FRUIT JUICES (CONCENTRATED)	25 PERCENT	22 PERCENT
20.07.390	OTHER CITRUS FRUIT JUICES	25 PERCENT	22 PERCENT
37.01.900	FILM, FLAT	40 PERCENT	20 PERCENT
37.02.100	FILM, IN ROLLS	40 PERCENT	20 PERCENT

MALAYSIAN DELEGATION ALSO INDICATED THAT ON ITEM 21.07.900 EX VEGETABLE PROTEIN CONCENTRATES, BINDING OF TARIFF FREE STATUS IS NOT POSSIBLE.

3. U.S. DEL STRONGLY ARGUED THE CASE OF BINDING FOR THE MALAYSIANS, ESPECIALLY IN CONNECTION WITH THE POSSIBILITY OF THE U.S. MAINTAINING ITS OFFER. THE U.S. DEL AGAIN EXPLAINED THAT, FOR PALM OIL, THE U.S. WAS PREPARED TO BIND AT 1 CENT PER POUND, BUT MAINTENANCE OF THIS OFFER UNLIKELY IF MALAYSIA DID NOT SIMILARLY BIND TARIFF REDUCTIONS. MALAYSIAN DELEGATION RESPONDED THAT NEGATIVE BINDING DECISION HAD BEEN MADE AT THE HIGHEST LEVEL, AND AS SUCH, IT WOULD BE DIFFICULT TO CHANGE. FONG HOWEVER ADMITTED DECISION WOULD HAVE TO BE REVIEWED IN CONTEXT LIMITED OFFICIAL USE

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PAGE 03 GENEVA 09195 161920Z

OF PALM OIL OFFER. COMMENT: IN A SUBSEQUENT SOCIAL EVENT, YEE CHE FONG EXPLAINED THAT THE MALAYSIAN DECISION ON BINDING HAD BEEN MADE BY THE MINISTER OF FINANCE, WHO ARGUES THAT MALAYSIA HAS NEVER BOUND ANY TARIFFS, AND SHOULD NOT START NOW. END COMMENT. U.S. DEL REITERATED THAT BINDING IS A MAJOR PART OF US REQUESTS, AND WITHOUT SUCH BINDINGS US OFFER WOULD BE DIFFICULT TO MAINTAIN.

4. MALAYSIAN DELEGATION EXPLAINED THAT IT WAS UNABLE TO PROVIDE A WRITTEN OFFER TO THE U.S. DEL BECAUSE OF POLITICAL COMMITMENT TO REVIEW ITS OFFER WITH OTHER ASEAN COUNTRIES. IN ORDER TO GET AROUND THIS PROBLEM, MALAYSIAN DELEGATION SUGGESTED THAT THE U.S. DEL SUBMIT IN WRITING ITS UNDERSTANDING OF THE ORAL OFFER OF MALAYSIA TO WHICH CHE FONG WOULD CONFIRM IN WRITING.

5. MALAYSIA CONTINUES TO PRESS FOR NEW INFORMATION WITH REGARD TO U.S. OFFER. (BOTH MAINTENANCE AND IMPROVEMENT ON REQUESTED ITEMS) U.S. DEL EXPLAINED THAT A REVIEW OF THE U.S. OFFER AND POSSIBLE IMPROVEMENTS WOULD BE UNDERTAKEN BEGINNING THE WEEK OF JUNE 20 AND THE U.S. DEL WOULD HAVE TO AWAIT THE RESULTS OF THOSE MEETINGS. HOW-

EVER MAINTENANCE AND POSSIBLY IMPROVEMENT IN THE U.S.
OFFER WOULD LARGELY DEPEND ON MALAYSIA'S OFFER AND ITS
WILLINGNESS TO BIND. COMMENT: U.S. DEL BELIEVES THAT
US SHOULD PUSH FOR ANOTHER REVIEW IN MALAYSIA REGARDING
BINDING BEFORE WE RESPOND TO THE MALAYSIAN REQUEST.
POSSIBLE PRESSURE FROM PALM OIL INTERESTS MAY HELP EFFORT.
NEVERTHELESS, MTN DEL REQUESTS WASHINGTON AGENCIES
REVIEW OF MALAYSIAN OFFER. END COMMENT.

6. DRAFTED BY CASSIDY. MCDONALD

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